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SUBJECT: AQABA DEVELOPMENT UPDATE

Ref: 07 Amman 2017

¶11. (U) Summary: In March, the Aqaba Special Economic Zone Authority (ASEZA) was honored at the Jordan Economic Forum for its achievements, including its ability to attract \$8 billion in investment pledges in seven years. Tourism accounts for about 70 percent of all investment in this port city, concentrated in three large real estate development complexes. The number of tourists to Aqaba is growing, and is continuing to put pressure on hotels' ability to recruit staff. Several USAID-funded projects are developing human resources. End Summary.

A LOT OF MONEY . . . FAST

¶12. (U) In 2000, Jordan's parliament passed a law which established the ASEZA as the statutory institution empowered with regulatory, administrative, fiscal and economic responsibilities within the Aqaba Special Economic Zone (ref A). ASEZA was recognized at the Jordan Economic Forum (JEF) on March 2 for its achievements, particularly its ability to attract investments to the real estate sector. JEF keynote speaker, former President of the Council of Ministers in Lebanon, Najib Mikati noted that Aqaba "has moved from planning and investment to a successful reality, which will lead to further prosperity." While the original Aqaba plan estimated \$6 billion in investment in 20 years, Aqaba has already attracted \$8 billion in investment pledges over eight years. Saleh Kilani, ASEZA's Commissioner for Economic Development, said that Aqaba has grown at a 12.1 percent rate annually since 2000 (twice Jordanian GDP growth during that period), and he attributed ASEZA's success to its good planning, as well as the fortunate timing of the Gulf oil boom. NOTE: USAID was instrumental in the formation of ASEZA and current USAID projects are continuing to grow the human resources and planning capacity of ASEZA and the Aqaba Development Corporation (ADC). END NOTE.

¶13. (SBU) Jim O'Gara, a U.S.-based business consultant working in Aqaba, confirmed to EmbOffs March 5 - 6 that Aqaba's ability to attract investment funds was a function of the large amount of Gulf oil money looking for investment opportunities; the difficulty of traveling to the U.S. for Arabs after 9/11; and waterfront property's growing popularity, especially after several successful projects in Dubai. Larry Hearn, Chief of Party for the USAID-funded Aqaba Community and Economic Development project (ACED), and O'Gara agreed that Aqaba has attracted more money than expected, and that the fast influx of funds created some serious development

challenges. The ability of the local government to meet the needs of local businesses - especially related to land registry, the ability to recruit hotel and construction workers, and to conduct a planned move of the commercial port in a timely manner to improve the tourism experience - is being tested.

¶4. (U) In February, ADC announced that it will spend \$700 million on a project to move the commercial port of Aqaba 12 miles south, which will be the biggest infrastructure project in Jordan's history. ADC is eager to move the port to free up additional waterfront land for tourism development and to increase the distance between tourists and the heavy industry currently located in the port. In spite of these plans, no funds have yet been requested from the government, and the project still requires government approval.

TOURISM: INDUSTRY NUMBER ONE

¶5. (U) During 2007, 432,000 tourists visited Aqaba, a two percent increase from 2006. Aqaba's hotels have a 65 percent occupancy rate. Approximately 56 percent of visitors to Aqaba are Jordanian, and Europeans account for an additional 22 percent of visitors, with an increasing number of Russian and Eastern European guests.

¶6. (U) ASEZA Commissioner Kilani said although the initial Aqaba investment plan aimed for a mix of 50 percent tourism; 30 percent services, including transportation; and 20 percent light industry, investments have been heavily weighted towards tourism, estimated at 70 percent of recent investments. Most of these investments are concentrated in three large real estate development projects. Tala Bay, located south of Aqaba, was the first of the three projects and began construction in 2002. The project plan includes 1,500 residential units, five hotels with 1,000 four and five-star rooms,

AMMAN 00001000 002 OF 003

as well as a marina. The \$500 million resort is being developed by the Jordan Project for Tourism Development, and is scheduled to be completed in 2008.

¶7. (U) Saraya Aqaba is located in the center of Aqaba. It is a \$1 billion Jordanian-Lebanese project with investment from the Social Security Corporation, Arab Bank, and the Hariri family. General Manager Shadi Ramzi al-Majali said the project will include 1,200 hotel rooms in six hotels, private residences, a retail area with 12 restaurants, a man-made lagoon, and a waterpark, among other attractions. He said the residences are intended to serve as second homes, and range from \$120,000 for a 1,000 square foot apartment to \$4.5 million for luxury villas. The project is designed to be completed in a single phase by the first quarter of 2010. When completed, Saraya will employ 6,000 people, 3,500 of whom will live in company-provided housing.

¶8. (U) Local press reported that construction work on Ayla, a \$1.4 billion real estate development project near to Saraya, is scheduled to start soon with a groundbreaking in April and will continue over the next eight years. The project will develop one thousand acres of land with a golf course and inland lakes and lagoons, adding 11 miles to Jordan's very short coastline. The Ayla project includes the development of five hotels with 1,500 rooms, 300 residential units, and a retail town center. When completed, Ayla will employ 4,000 staff.

¶9. (SBU) Investors in Aqaba continue to note the difficulty of finding employees to staff the growing number of hotels. Ahmed Al Bashiti, Director of Jordan In-bound Tour Operations Association, said local Aqabites are not qualified for these positions, and Aqaba hotels already recruit a large number of Egyptian workers. He emphasized that no Jordanian is going to move from Irbid or Kerak, where there is high unemployment, to Aqaba for low-paying work. Majali said that the starting salary for hotel workers at his resort is \$240 monthly, and that Jordanians are reluctant to take hotel jobs because they fear being in a low-level positions throughout their careers. Department of Statistics Deputy General Ghazi Shubeikat estimated that foreign laborers constitute about 25 percent of Aqaba's workforce today. COMMENT: Despite this challenge, a cultural shift is beginning to take place in Jordan, as

seen by the significantly higher number of young Jordanians working in the tourism sector today than ten years ago, a key objective of USAID's programs as described below. END COMMENT.

USAID'S TOURISM INITIATIVES

¶110. (U) USAID has invested \$160 million in the development of Aqaba since 1999, including tourism initiatives. The USAID-funded Siyaha project focuses on Jordan tourism development through three branches: institutional and legal reform; product and site development; and human resources and tourism awareness. Siyaha is currently partnering with ASEZA to develop Wadi Rum, a protected area outside of Aqaba to develop expanded tourism experiences including camel treks, enhanced local handicrafts, and Bedouin desert camps. This has already resulted in the creation of 300 jobs, 40 percent of which are being performed by conservative Bedouin women. Dr. Bilal Bashir, ASEZA Deputy Chief Commissioner, highlighted the potential for handicrafts to employ Bedouin women in culturally-sensitive ways. Siyaha has also improved human resources by providing customer service training for Aqaba taxi drivers and border patrollers and developing a local hospitality vocational center.

¶111. (SBU) Jordan-wide, Siyaha is working to eliminate the "culture of shame" that discourages Jordanians from accepting positions in the tourism sector. In Aqaba, Siyaha has begun teaching students in grades seven through twelve about hospitality careers, and has plans to open a hospitality university program in the near future. The hospitality program would be part of the future University of Aqaba and will offer degrees in hotel and tourism management.

¶112. (U) To support Jordan's tourism industry and the environment, Embassy Amman will sponsor an Aqaba clean-up event in honor of Earth Day on April 19. Participants will clean the beach on foot, and scuba divers will pick up trash from the coral reefs.

COMMENT

AMMAN 00001000 003 OF 003

¶113. (SBU) Visitors to Aqaba are often struck by the number of construction sites, cranes, and newly developed neighborhoods that are a testament to the rapid growth and investment in the port city. Yet in some ways, Aqaba still remains a sleepy, expensive beach town with limited restaurants and tourist activities, especially compared to its regional competitor Sharm El-Sheikh in Egypt. Some argue that while Petra and the Dead Sea have the comparative advantage of being one-of-a-kind tourist experiences, Aqaba is just one of many beach destinations in the region and in the world. Even many professionals working in Aqaba have opted to leave their families in Amman, because of Aqaba's limited appeal as a full-time residential area. Time is needed for some of the large real estate development projects to be fully implemented, and to create more social and commercial venues that cater to both foreign tourists and the local community. Now that development of the beachfront is underway, the challenge remains to attract investment in light industry and services as initially envisioned. Transforming Aqaba into a dynamic business environment and developing the local labor workforce will be instrumental in this regard.

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